

OIL AND GAS LEASE
TEXAS FORM-SHUT-IN CLAUSE, POOLING CLAUSE

THIS AGREEMENT made and entered into the _____ day of _____, 20____, by and between

_____, Lessor and
_____, Lessee.

WITNESSETH:

1. Lessor, in consideration of the sum of _____ Dollars (\$ _____), in hand paid, receipt of which is hereby acknowledged, and the royalties herein provided, does hereby grant, lease and let unto Lessee for the purpose of exploring, prospecting, drilling and mining for and producing oil and gas and all other hydrocarbons, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products, and housing its employees, and without additional consideration, does hereby authorize Lessee to enter upon the land covered hereby to accomplish said purposes, the following described land in _____ County, Texas, to-wit:

This Lease also covers and includes any and all lands owned or claimed by the Lessor adjacent or contiguous to the land described hereinabove, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land described above. For the purpose of calculating rental payments hereinafter provided for the lands covered hereby are estimated to comprise _____ acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained this Lease shall be for a term of _____ years from this date (called "primary term") and as long thereafter as oil and gas or other hydrocarbons are being produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are as follows: On oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected. Lessee shall have the option to purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase. On gas, including casinghead gas, condensate or other gaseous substances, produced from said land and sold or used off the premises or for the extraction of gasoline or other products therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale. While there is a gas well on this Lease, or on acreage pooled therewith, but gas is not being sold or used Lessee shall pay or tender annually at the end of each yearly period during which such gas is not sold or used, as royalty, an amount equal to the delay rental provided for in paragraph 5 hereof, and while said royalty is so paid or tendered this Lease shall be held as a producing Lease under paragraph 2 hereof. Lessee shall have free use of oil, gas and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to voluntarily pool or combine the acreage covered by this Lease, or any portion thereof, as to the oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said leased premises in compliance with the Spacing Rules of the Railroad Commission of Texas, or other lawful authorities, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas from said premises. Units pooled for oil hereunder shall not substantially exceed 80 acres each in area, and units pooled for gas hereunder shall not substantially exceed 640 acres each in area plus a tolerance of ten per-cent thereof in the case of either an oil unit or a gas unit, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with

those prescribed by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this Lease, or any portion thereof as above provided for as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the Lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of Lessee hereunder to pool this Lease, or portions thereof, into other units. Lessee shall file for record in the county records of the county in which the lands are located an instrument identifying and describing the pooled acreage. Lessee may at its election exercise its pooling operation after commencing operations for, or completing an oil or gas well on the leased premises, and the pooled unit may include, but is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed, or upon which operations for drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit composed in whole or in part of the land covered by this Lease, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from the land covered by this Lease whether or not the well or wells are actually located on the premises covered by this Lease, and the entire acreage constituting such unit or units, as to oil and gas or either of them as herein provided, shall be treated for all purposes except the payment of royalties on production from the pooled unit as if the same were included in this Lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled upon production of oil and gas, or either of them from the pooled unit, there shall be allocated to the land covered by this Lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis, that is to say, there shall be allocated to the acreage covered by this Lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this Lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil or gas or either of them, so allocated to the land covered by this Lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from the Lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the Lease or gas pooled unit from which it is producing and not from the oil pooled unit.

5. If operation for drilling are not commenced on said land, or on acreage pooled therewith as above provided for, on or before one year from the date hereof, the Lease shall terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor, or to the credit of Lessor in the

_____, Bank
at _____, Texas,

(which Bank and its successors shall be Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentals) the sum of

_____ Dollars
(\$ _____), herein called rentals, which shall cover the privilege of deferring

commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payment or tenders annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term hereof. The payment or tender of rental under this paragraph and of royalty under paragraph 3 on any gas well from which gas is not being sold or used may be made by check or draft of Lessee mailed or delivered to Lessor, or to said Bank on or before the date of payment. If such Bank, or any successor Bank, should fail, liquidate or be succeeded by another Bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender of rental until thirty (30) days after Lessor shall deliver to Lessee a proper recordable instrument, naming another Bank as Agent to receive such payments or tenders. Cash payment for this Lease is consideration for this Lease according to its terms and shall not be allocated as a mere rental for a period. Lessee may at any time or times execute and deliver to Lessor, or to the depository above named, or place of record a release covering any portion or portions of the above described premises and thereby surrender this Lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

6. If prior to discovery of oil, gas or other hydrocarbons on this land, or on acreage pooled therewith. Lessee should drill a dry hole or holes thereon, or if after the discovery of oil, gas or other hydrocarbons, the production thereof should cease from any cause, this Lease shall not terminate if Lessee commences additional drilling or re-working operations within sixty (60) days thereafter, or if it be within the primary term, commences or resumes the payment or tender of rentals or commences operations for drilling or re-working on or before the rental paying date next ensuing after the expiration of sixty (60) days from the date of completion of the dry hole, or cessation of production. If at any time subsequent to sixty (60) days prior to the beginning of the last year of the primary term, and prior to the discovery of oil, gas or other hydrocarbons on said land, or on acreage pooled therewith, Lessee should drill a dry hole thereon, no rental payment or operations are necessary in order to keep the Lease in force during the remainder of the primary term. If at the expiration of the primary term, oil, gas or other hydrocarbons are not being produced on said land, or on acreage pooled therewith,

but Lessee is then engaged in drilling or re-working operations thereon, or shall have completed a dry hole thereon within sixty (60) days prior to the end of the primary term, the Lease shall remain in force so long as operations are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil, gas or other hydrocarbons, so long thereafter as oil, gas or other hydrocarbons are produced from said land, or acreage pooled therewith. In the event a well or wells producing oil or gas in paying quantities shall be brought in on adjacent land and draining the leased premises, or acreage pooled therewith, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. Lessee shall have the right at any time during or after the expiration of this Lease to remove all property and fixtures placed on the premises by Lessee, including the right to draw and remove all casing. When required by the Lessor, Lessee shall bury all pipelines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn located on said land as of the date of this Lease without Lessor's consent.

8. The rights of each party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in the ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations, or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished with a certified copy of recorded instrument or instruments evidencing such change of ownership. In the event of assignment hereof in whole or in part, liability for breach of any obligation issued hereunder shall rest exclusively upon the owner of this Lease, or portion thereof, who commits such breach. In the event of the death of any person entitled to rentals hereunder, Lessee may pay or tender such rentals to the credit of the deceased or the estate of the deceased, until such time as Lessee has been furnished with the proper evidence of the appointment and qualification of an executor or an administrator of the estate, or if there be none, then until Lessee is furnished satisfactory evidence as to the heirs or devisees of the deceased, and that all debts of the estate have been paid. If at any time two or more persons become entitled to participate in the rental payable hereunder, Lessee may pay or tender such rental jointly to such persons, or to their joint credit in the depository named herein; or, at the Lessee's election, the portion or part of said rental to which each participant is entitled may be paid or tendered to him separately or to his separate credit in said depository; and payment or tender to any participant of his portion of the rentals hereunder shall maintain this Lease as to such participant. In the event of an assignment of this Lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If six or more parties become entitled to royalty payments hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

9. The breach by Lessee of any obligations arising hereunder shall not work a forfeiture or termination of this Lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part unless Lessor shall notify Lessee in writing of the facts relied upon in claiming a breach hereof, and Lessee, if in default shall have sixty (60) days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument, and if Lessee shall fail to do so then Lessor shall have grounds for action in a court of law or such remedy to which he may feel entitled. After the discovery of oil, gas or other hydrocarbons in paying quantities on the lands covered by this Lease, or pooled therewith, Lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation Lessee shall not be required to drill more than one well per eighty (80) acres of area retained hereunder and capable of producing oil in paying quantities, and one well per six hundred forty (640) acres of the area retained hereunder and capable of producing gas or other hydrocarbons in paying quantities plus a tolerance of ten percent in the case of either an oil well or a gas well.

10. Lessor hereby warrants and agrees to defend the title to said lands and agrees also that Lessee at its option may discharge any tax, mortgage or other liens upon said land either in whole or in part, and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder towards satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil, gas or other hydrocarbons in or under said land, less than the entire fee simple estate then the royalties and rentals to be paid Lessor shall be reduced proportionately. Failure of Lessee to reduce such rental paid hereunder or over-payment of such rental hereunder shall not impair the right of Lessee to reduce royalties payable hereunder.

11. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling, or reworking operations thereon or from producing oil or gas or other hydrocarbons therefrom by reason of scarcity of, or inability to obtain or to use equipment or material, or by operation of force majeure, or because of any federal or state law or any order, rule or regulation of a governmental authority, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to

comply therewith; and this Lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on, or from producing oil or gas or other hydrocarbons from the leased premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this Lease to the contrary notwithstanding.

IN WITNESS WHEREOF this instrument is executed on the date first above set out.

SS

(Acknowledgment)

STATE OF TEXAS
COUNTY OF

This instrument was acknowledged before me on the _____ day of _____ 20____
by _____

My commission expires:

Notary Public, State of Texas
Notary's printed name:

(Joint Acknowledgment)

STATE OF TEXAS
COUNTY OF

This instrument was acknowledged before me on the _____ day of _____ 20____

By _____
and wife _____

known to me to be the persons whose name are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed. And the said

_____,
wife of _____,

having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said

_____,
acknowledged such instrument to be her act and deed and declared that she had willingly signed the same for the purposes and consideration therein expressed and that she did not wish to retract it.

My commission expires:

Notary Public, State of Texas
Notary's printed name: